

VEBA UPDATE

What is happening with the Montana VEBA?

State of
Montana
Employee
Benefits
Bureau

What's new with the Montana VEBA?

Volume 1, Issue 2

Sept/Oct - 2002

As a reminder, VEBA stands for, Voluntary Employee Beneficiary Association. The State of Montana, Department of Administration has been charged with implementation of the new Montana VEBA.

Summer education sessions were held across the state to begin developing an understanding of what a VEBA benefit is. The sessions were successful in generating questions and starting to generate interest in the Montana VEBA.

Since that time, staff have been working with consultants to file for IRS approval, develop Request for Proposals (RFP's) to secure needed services and developing operating rules for the VEBA.

All in all, progress is good. The date of operation will be dependant upon the IRS ruling as well as the timeline offered by the vendors that offer VEBA services.

We will keep you informed as progress continues!



Special points of interest:

- *What's new with the Montana VEBA?*
- *What is next?*
- *How will the VEBA work?*
- *Do you have questions or comments?*
- *VEBA Tidbits.*

Call with
your
questions!!

What is next? ◆ ◆ ◆ ◆ ◆ ◆ ◆

What happens next?

Once the IRS approval is received and contracts are awarded to successful bidders for services, then Employer education materials will be developed. We will work to develop a packet of enrollment materials that will assist the payroll/

benefits staff with the enrollment process. Voting procedures, descriptions of ways to designate groups and sub-groups as well as paperwork to pass out to prospective members will be included. We will then look at devising a training schedule to assist staff with the enrollment process.

WHO TO CONTACT

Melanie Denning
VEBA Health Officer
Employee Benefits Bureau
Phone: (406) 444-3745
Fax: (406) 444-0703
Email: mdenning@state.mt.us

How will the VEBA work?

Portions of this article appeared in the last issue of the newsletter. We will run it again with some changes as decided when developing the IRS Letter of Determination materials.

When employees vote to become members of the VEBA plan, their employer can make pre-tax contributions to individual accounts established for members and held in trust. There are a number of funding options available to the employer. The major form of contribution for most employees will be from cash-out of excess sick leave.

The assets in the plan will be invested similar

to deferred compensation, and earnings are tax-free. Once the account is established, a member may begin to draw upon the balance in their accounts to pay for qualified health care expenditures for themselves, their spouse or eligible dependents. While funds are available to members while they are employed, it is encouraged to allow the account to accumulate for use after separation from service for qualified medical expenditures.



Do you have further questions or comments?

If you have questions, please contact Melanie as noted on the front side of the newsletter. Until final approval is obtained, there may be some answers that are not yet clear. Once we receive the formal approval, and move closer to implementation and begin developing the materials, answers will be much more firm.



Also, if you have comments regarding the VEBA, we would be interested in your input as well. The same contact information will work for this also.

VEBA Tidbits

As printed in the first VEBA Newsletter, here are some of the "basics of VEBA's. Remember, the Montana VEBA has not yet been approved, so the following tidbits relate to VEBA's in general as well as what we DO know about the Montana VEBA.

- VEBA is available to all Public employees, including State, City, County, K-12 and University System.
- Groups must elect to participate collectively. VEBA participation is not an individualized choice.
- Contributions, earnings and withdrawals from the VEBA are Tax-free!
- Sick leave conversions are the primary source of funds.
- Salary adjustments and other agreed upon funding sources may also be used.
- The Montana VEBA is in the process of becoming approved by the IRS. Once approved, all public employees will be able to join.
- Employers in all Public entities will assist with the education and enrollment of employees.
- The State of Montana-Department of Administration will oversee the Montana VEBA program.
- Questions? Please call us!

